



U.S. Department of Housing and Urban Development  
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Philadelphia, PA 19107-3380

District Inspector General for Audit

April 11, 1997

**Audit Related Memorandum**  
**No. 97-PH-241-1805**

MEMORANDUM FOR: Bruce Crawford, Director of Community Planning  
and Development Division, Pittsburgh Area  
Office, 3ED

FROM: Edward F. Momorella, District Inspector General  
for Audit, Mid-Atlantic, 3AGA

SUBJECT: Municipality of Penn Hills (Grantee)  
Survey of CDBG Program  
Penn Hills, Pennsylvania

We surveyed the operation of the Grantee's CDBG Program. The purpose of the survey was to review the Grantee's administration of the CDBG Program and determine whether further audit work was necessary.

We interviewed Community Planning and Development staff, reviewed field office files, the Grantee's latest IPA audit report, and Grantee Performance Report. We visited the Grantee and interviewed Grantee staff. We reviewed financial statements, minutes of meetings, and other relevant data and tested transactions. We also interviewed a contractor, performed an on-site physical inspection of CDBG work performed and reviewed subrecipient records.

Transaction tests were performed in the following areas:

- Clearance Activities
- Public Services
- Rehabilitation
- Subrecipient Monitoring

Our survey disclosed the following:

A. Income Verification

1. Housing Rehabilitation Program

We reviewed 4 of 30 homeowners' files who were assisted by the program. For the four cases the Grantee did not properly verify the income of the household, and in one case did not verify that the municipal taxes were current as required by the program's guidelines.

The Grantee's program guidelines require income verification for only the persons listed on the property deed. HUD regulations, 24 CFR 570.208(a)(3) states for "Housing activities. A n eligible activity carried out for the purpose o f providing or improving permanent residential structures which, upon completion, will be occupied by low-and moderate-income households." The Grantee's program violates HUD's regulations because total household income is not verified for establishing eligibility for a rehabilitation loan.

The Grantee's program provides either a 0% or 6 % loan depending upon family size on the deed and income. Our review identified one household received an \$11,030 loan which was improper , because total household income exceeded the income limits for the family size. See Appendix A for details.

The potential exists that other homeowners received loans who were not eligible due to the Grantee's improper verification of household income.

2. Summer Youth Employment and Training Program (SYETP)

Western Penn Hills Community Action Inc. the subrecipient administering the SYETP did not properly verify household income of participants . This condition applied to three of five participant files reviewed. One participant's household income exceeded the income threshold, therefore he was not eligible for employment in the program.

Apparently the Grantee has not provided guidance to the subrecipient for verification of household

income to meet the low/mod benefit national objective.

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B. Subrecipient Monitoring

The Grantee could not document subrecipient monitoring.

The Grantee said they monitored the subrecipients but no written record was kept. The subrecipient administering the SYETP said the Grantee had not looked at a participant file in three years.

Recommendations

We recommend the Grantee:

- 1A. Assure all activities benefiting low and moderate income persons have the household income requirements included in the Activity's guidelines, contract etc. Household income will be based on HUD's income limits published annually.
- 1B. Repay the program \$11,030 from non-Federal funds for the improper loan.
- 1C. Reanalyze the loan portfolio using HUD's household income requirements. For applicants who received loans which exceeded HUD's income thresholds, repay the loans to the program from non-Federal funds.
- 1D. Provide or obtain training, and publications for staff and subrecipient staff in the methodology for verifying income and assets of program participants.
- 1E. Establish and implement monitoring procedures which provide for: (1) annual monitoring plan, (2) standards for conducting on site reviews and reporting deficiencies, and (3) follow up procedures to ensure correction of deficiencies.

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The results of the survey were discussed with the Grantee's representative and your staff. No further audit work is planned.

If you have any questions please contact Irving I. Guss, Assistant District Inspector General for Audit at (215) 656-3401.

Appendices

A Loan Data  
B Distribution

CC: OSWALD  
CIANCI

3AGA:GUSS:AMP:04/10/97

Correspondence Code	3AGA			
Concurrence	GUSS			
Date				

LOAN DATAApplication Date - March 6, 1996Address

710 Jefferson Road, Penn Hills, PA

Loan Amount \$11,030

<u>Household Persons</u>	<u>Type of Income</u>	<u>Income Month</u>	<u>Annual</u>
Wife (Applicant)	Pension & Soc. Security	\$1,606	\$19,272
Son	SSI	<u>563</u>	<u>6,756</u>
		<u>\$2,169</u>	<u>\$26,028</u>

FY 1996 Median Family Income Pittsburgh PA and Applicability To  
Grantee's Program Loan Interest Rates

	<u>Loan Interest Rate</u>	<u>1 Person</u>	<u>2 Persons</u>
Very Low Income	0%	\$13,350	\$15,300
Low Income	6%	21,400	24,450

LOAN ANALYSIS

The Grantee approved a 0% loan to the applicant the property owner. Based on Grantee program guidelines and the applicant's income, a 6% loan applied. However, the household consisted of two persons with total annual income of \$26,028. The applicant's household income exceeded HUD's income limits of \$24,450 for a two person household. The applicant was not eligible for the \$11,030 loan.

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